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## India

## Poultry and Products

## Annual

## 2000

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### Report Highlights:

**Growth in the Indian poultry sector is expected to accelerate in 2001, with production of poultry meat forecast at 735,000 tons and eggs production at 37 billion pieces. Effective April 1, 2001, poultry meat may be "freely" imported into India subject to a 100 percent duty.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
New Delhi [IN1], IN

## **Table of Contents**

SECTION I - PRODUCTION .....	Page 2 of 12
SECTION II - STATISTICAL TABLES .....	Page 3 of 12
Commodity, Eggs, PSD .....	Page 3 of 12
Commodity, Chicken, PSD .....	Page 5 of 12
Egg, Export Trade Matrix .....	Page 7 of 12
SECTION III - NARRATIVE ON SUPPLY, DEMAND, POLICY AND MARKETING	
Production Developments .....	Page 8 of 12
Consumption .....	Page 9 of 12
Production Policy .....	Page 9 of 12
Trade .....	Page 10 of 12
Market Opportunities .....	Page 10 of 12
Table 1: Trade Treatment for Poultry and Feed Ingredient Imports 1/ ...	Page 12 of 12

*SECTION I - PRODUCTION*

Growth in the Indian poultry sector is expected to accelerate in 2001, with production of poultry meat forecast at 735,000 tons and eggs production at 37 billion pieces. Despite low chicken prices and reduced export demand for eggs, the poultry sector grew by about 2 percent in 2000, with production of poultry meat estimated at 710,000 tons and egg production at 36 billion pieces.

Supported by low corn prices, consumption of commercial feed by the poultry sector rose by 15 percent in 1999/00 to an estimated 2.8 million tons. Promotional efforts on the part of the compound feed manufacturers and American Soybean Association in conjunction with increasing integration and awareness of returns to nutrition have also contributed to this trend. While the layer industry operates under better margins due to more stable supply and demand conditions, the broiler industry continues to teeter under thin margins due to periodic gluts in supply. Large-scale integrators with efficient operations ranging from feed manufacturing to hatcheries to meat retailing are able to realize higher profit margins in addition to providing hygienic meat at competitive prices.

## SECTION II - STATISTICAL TABLES

## Commodity, Eggs, PSD

PSD Table							
Country:	India						
Commodity:	Poultry, Eggs						
		1999		2000		2001	UOM
	Old	New	Old	New	Old	New	
Calendar Year Begin		01/1999		01/2000		01/2001	(MONTH/YEAR)
Layers	150	150	160	155	0	160	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	(MIL PCS)
Production	35000	35000	37000	36000	0	37000	(MIL PCS)
Hatch Eggs, Imports	0	0	0	0	0	0	(MIL PCS)
Shell Eggs, Imports	0	0	0	0	0	0	(MIL PCS)
Other Imports	0	0	0	0	0	0	(MIL PCS)
Intra EC Imports	0	0	0	0	0	0	(MIL PCS)
TOTAL Imports	0	0	0	0	0	0	(MIL PCS)
TOTAL SUPPLY	35000	35000	37000	36000	0	37000	(MIL PCS)
Hatch Eggs, Exports	90	53	105	60	0	65	(MIL PCS)
Shell Eggs, Exports	125	165	140	175	0	185	(MIL PCS)
Other Exports	40	49	40	50	0	55	(MIL PCS)
Intra EC Exports	0	0	0	0	0	0	(MIL PCS)
TOTAL Exports	255	267	285	285	0	305	(MIL PCS)
Hatch Eggs, Consumption	390	390	410	405	0	415	(MIL PCS)

Shell Eggs, Human	34355	34343	36305	35310	0	36280	(MIL PCS)
Shell Eggs,OT.Use/Loss	0	0	0	0	0	0	(MIL PCS)
Other Dom. Consumption	0	0	0	0	0	0	(MIL PCS)
Total Dom. Consumption	34745	34733	36715	35715	0	36695	(MIL PCS)
TOTAL Use	35000	35000	37000	36000	0	37000	(MIL PCS)
Ending Stocks	0	0	0	0	0	0	(MIL PCS)
TOTAL DISTRIBUTION	35000	35000	37000	36000	0	37000	(MIL PCS)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(MIL PCS)

**Commodity, Chicken, PSD**

PSD Table							
Country:	India						
Commodity:	Plty, Meat, Chicken -16 wks						
		1999		2000		2001	UOM
	Old	New	Old	New	Old	New	
Calendar Year Begin		01/1999		01/2000		01/2001	(MONTH/YEAR)
Inventory (Reference)	0	0	0	0	0	0	(MIL HEAD)
Slaughter (Reference)	0	0	0	0	0	0	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	690	690	725	710	0	735	(1000 MT)
Whole, Imports	0	0	0	0	0	0	(1000 MT)
Parts, Imports	0	0	0	0	0	0	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	690	690	725	710	0	735	(1000 MT)
Whole, Exports	0	0	0	1	0	2	(1000 MT)
Parts, Exports	0	0	0	0	0	0	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	0	0	0	1	0	2	(1000 MT)
Human Consumption	690	690	725	709	0	733	(1000 MT)

Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	690	690	725	709	0	733	(1000 MT)
TOTAL Use	690	690	725	710	0	735	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	690	690	725	710	0	735	(1000 MT)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT)

**Egg, Export Trade Matrix**

Export Trade Matrix			
Country:		Units:	million pieces
Commodity:			
Time period:	Jan-Dec		
Exports for	1999		2000
U.S.	1	U.S.	0
Others		Others	
U.A.E	122		
Oman	38		
Bangladesh	18		
Kuwait	17		
Japan	11		
Poland	10		
Saudi Arabia	6		
Singapore	5		
Korea Rp	4		
Qatar	3		
Total for Others	234		0
Others not listed	31		
Grand Total	266		0



### *SECTION III - NARRATIVE ON SUPPLY, DEMAND, POLICY AND MARKETING*

#### **Production Developments**

While the South Indian broiler industry has become highly integrated, operations in the North remain largely unorganized. Throughout the country, the layer industry remains unintegrated. In most layer operations, parameters such as feed conversion ratio or product quality are rarely taken into consideration. Periodic and apparently cyclical gluts in broiler supply regularly contribute to depressed market conditions which has led to the exit of many small and inefficient players and contributed to consolidation of the broiler sector.

Despite increasing commercialization of the poultry industry, many rural households continue to raise indigenous breeds in their backyards, the products from which are sold for a premium in local markets. Traditional poultry birds are typically less efficient in feed conversion ratios although they are generally harder than the imported breeds.

Consumption of commercial feed continues to grow due to lower prices, its increased availability and a rising awareness of the positive return to nutritional investment. Sources in the trade indicated that with the current domestic price of corn prevailing at a low of rs. 5,600/ton (\$124/ton), imports are not feasible. However, imports are a possibility if landed prices fall below the \$100 mark, as happened last year. Taking into consideration that total demand for corn is expected to reach 11 million tons by 2005, some feed millers (mostly based in the South) have started to promote corn production among farmers through the use of contract farming. Due to higher soymeal prices and stagnant production, its use in the domestic poultry feed sector is expected to remain stagnant in 2000 and is estimated at 1.5 million tons.

Though construction of cold storage facilities and efficient transportation mechanisms have helped to stabilize egg prices, bird prices continue to swing due to almost cyclical periods of excess supply. In a recent move by some Southern-based broiler Integrators, retail operations have been established near consumption centers where processed/fresh chicken is sold directly to consumers under their brand names, with an emphasis on hygiene. The market entry of these integrators has cut heavily into the margins of other traders leading to a decline in prices and a boost in consumption. One city in Southern India, around which major integrators are located, boasts of a per capita consumption of poultry meat at the rate of 4.5 kg per person, as opposed to the national average of 750 grams.

Consumption of processed egg powder continues to be almost nil due to a lack of consumer awareness and preference for fresh eggs. Consumption of processed poultry meat constitutes only about 5 percent of total poultry meat consumption. Given the rate of urbanization and increasing income levels, the processed poultry meat sector is expected to grow at a rate of 15 percent per annum.

## Consumption

Eggs and poultry are typically marketed in fresh form. It has been estimated that the urban population (which represents about 30 percent of the total population) accounts for roughly three quarters of total consumption of poultry meat and eggs. Eggs are used as a food preparation by eggitarian households as well as in the bakery and confectionary sectors. Egg consumption by egg powder producers constitutes only one percent of total egg production. Stringent sanitary and pesticide residue conditions had led to five of six plants closing their doors. One plant based in south continues to manufacture quality egg powder under a contractual agreement with farmers. Production is subject to strict supervision by qualified staff and is tested in order to ensure it is free of toxic residues.

Egg prices during the current year have improved to rs.120/100 eggs (\$2.66) compared with last year's average price of rs. 113/100 eggs (\$2.51). Farmgate prices for birds have remained stagnant at rs. 23-26/kg (\$0.55) live weight compared with last year's prices. However, retail market prices for dressed meat have ranged between rs. 40 - 65/kg (\$0.89 - 1.44) as compared to last year's rs. 70-75/kg (\$1.56 - 1.76). Per capita consumption of eggs/poultry meat (36 eggs/750 grams meat) continues to be well below the WHO recommended level of 180 eggs/1.9 kg meat per annum. However, increasing average income, high pulse prices, and concern over the cost and health aspects of sheep/goat meat are likely to encourage the consumption of poultry meat over the next few years. The share of poultry meat in total meat consumption has improved marginally to 22 percent in 2000 versus 21 percent last year.

The National Egg Coordination Council (NECC) is involved in an advertising campaign to promote egg consumption in the country. There also are efforts by a southern-based consortium of broiler producers and marketers (National Broiler Coordination Council) to promote the consumption of poultry meat and to stabilize wholesale prices of poultry meat. The government levies an 8 percent excise tax on packaged and branded food products, which has impeded the marketing of packed and processed meat.

## Production Policy

Classified neither as an agricultural nor industrial sector, the poultry sector receives far less support than its potential contribution might indicate. While poultry growers continue to pay the same rate of income tax as any other industries, they do not receive subsidized power as does the industry sector. In addition to direct government funding for several research activities related to poultry breeding and health management, the government also indirectly supports the poultry sector through the Agricultural and Processed Products Exports Development Authority, which provides assistance for developing infrastructural support and subsidies for the export of eggs and egg products. The government and private entrepreneurs assist the National Egg Coordination Council, which promotes egg marketing and consumption. Overall government support for the poultry sector increased from rs. 55 million (\$1.3 million) in 1998/99 to rs. 62 million last year (\$1.4 million).

## Trade

Trade in eggs, egg products and poultry meat are free however, trade in live birds is restricted by a licensing requirement (which is scheduled to be removed on April 1, 2001). India exports large quantities of table and hatching eggs to the Middle East catering mainly to the large number of resident ethnic Indians. Exports of egg powder continue to be affected by the 1998 Asian economic slowdown, stringent quality standards imposed by the EU, and cheaper supplies from competing producers. The major importers of Indian egg powder include Japan, Poland, Singapore, Korea and Germany. Due to a downturn in sales to the EU and a decline in demand from Japan, Indian egg powder exports declined sharply during 1999. As a result, only one of India's egg powder plants remains in operation, operating at only one-third of capacity. Exports of egg powder are estimated to have declined by 58 percent to 49 million shell egg equivalent in MY1999. Exports during MY 2000 are estimated at 50 million shell egg equivalent and forecast to reach 55 million shell egg equivalent in MY2001.

Table egg exports have increased dramatically, from 106 million pieces in MY 1998 to an estimated 165 million pieces in MY 1999, largely due to increased demand from the middle-East and neighboring south Asian countries like the Maldives and Bangladesh. Exports of hatching eggs however, slipped in MY 1999 to an estimate 52 million pieces, compared with 85 million in the previous year. Table and hatching egg exports are forecast to reach 185 and 65 million eggs respectively in MY 2000. India continues export significant quantities of specific pathogen free eggs to the EU for pharmaceutical purposes.

Despite current restrictions which permit only hotels to import poultry meat, US exports of poultry meat to India reached 125 tons in MY1998. Effective April 1, 2001, chicken may be imported free of license however, a 100 percent import duty is expected to severely restrict imports. Per India's WTO obligations however, imports of whole birds processed fresh/chilled remain subject to a 35 percent duty. Government policy permits imports of grandparent breeding stock under open general license (OGL). Grand parent hatching eggs carry a tariff of 44.04 percent, while grand parent chicks are admitted at 32.6 percent. Most broiler breeds and a few layer breeds are derivatives of American lines such as Cobb and Hyline. Some feed ingredients such as lysine, methionine, choline, vaccines and vaccine related raw materials can also be freely imported.

## Market Opportunities

Many traders believe that despite the 100 percent import duty, imports of US poultry parts will be viable once the import licensing requirement is removed on April 1, 2001. With the landed price of US poultry legs nearly double the Indian farm gate price for poultry, one has to wonder who or what it is the Government of India is trying to protect with a 100 percent import duty (which renders the import price nearly quadruple the price the Indian poultry farmer receives). How long must Indian consumers (with a per capita consumption of poultry estimated at only 750 grams/annum) pay for such a paltry marketing system?

Opportunities exist for the import of grand parent stock, as most birds are produced using US genetics, which need to be replenished from time to time. Stagnating domestic production and

increasing use of corn for other purposes (e.g., starch manufacturing) have led to tighter availability of corn for feed use. Since liberalization of the corn import market in April 2000, domestic prices have ruled much easier than in previous years (particularly during the months of June-August). However, demand for corn by the poultry sector is expected to increase by 500,000 tons per year and consequently imports are expected to play a larger role in the coming years.

**Table 1: Trade Treatment for Poultry and Feed Ingredient Imports 1/**

HTS Code	Commodity	Trade Policy*	Tariff**
010511	Poultry Grand Parent Stock	Free	32.60
0207	Poultry Meat	Free	100.00 1/
0407	Eggs (Table/Hatching)	Restricted 2/	44.04
0408	Egg Yolks	Restricted	44.04
100590	Corn, for Feed	Free	15/60 3/
100700	Sorghum	Free	80
230120	Fish Meal	Free	0
2306	Oilmeals	Free	45.60
230990 02	Concentrates for Compound Feeds	Free	44.04

1/ All tariffs are equal to or below GATT bindings. Whole Birds, Dressed Fresh/Chilled (0207.12) attracts a GATT bound duty of 35 percent.

2/ Import of eggs for hatching purposes is free.

3/ Corn could be freely imported subject to a TRQ i.e. corn could be imported at a tariff rate of 15 percent up to 350,000 tons and the quantities exceeding the limit would attract a tariff of 60 percent.

\* All restricted items require an import license to be issued by the Director General of Foreign Trade. India has agreed to eliminate all licensing requirements by April 1, 2001

\*\* Inclusive of special and additional tariffs as applicable for the respective commodities.